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MB  
Director  
AuditAUDITOR - GENERAL  
SOUTH AFRICA

The Speaker  
Siyanda District Municipality  
Private Bag X6039  
Upington  
8800



01 February 2010

Ref: 21363REG08/09

Dear Speaker

**Report of the Auditor-General on the financial statements and performance information of  
Siyanda District Municipality for the year ended 30 June 2009**

The above-mentioned report of the Auditor-General is herewith submitted in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004), read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). A copy of my similarly numbered letter to the Municipal Manager is attached for your information and attention.

Kindly acknowledge receipt of this letter.

Yours sincerely

AL Kimbire  
Business Executive: Northern Cape

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AUDITOR - GENERAL  
SOUTH AFRICA

The Municipal Manager  
Private Bag X6039  
Upington  
8800

01 February 2010

Reference: 21363REG08/09

Dear Sir

**Report of the Auditor-General on the financial statements and performance information of Siyanda District Municipality for the year ended 30 June 2009**

The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

In terms of sections 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.

Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.

Please notify the undersigned Senior Manager well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.

Your cooperation to ensure that all these requirements are met would be much appreciated. Kindly acknowledge receipt of this letter.

Yours sincerely

AL Kimmie  
Business Executive: Northern Cape

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**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF SIYANDA DISTRICT MUNICIPALITY FOR THE  
YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the Siyanda District Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Generally Recognised Accounting Practice (GRAP) reporting framework and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Siyanda District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

## **Basis for disclaimer of opinion**

### **Property, plant and equipment**

5. The existence, completeness and valuation of and rights pertaining to property, plant and equipment disclosed in note 8 to the financial statements amounting to R37 180 504 (2008: R13 144 058) could not be confirmed due to the following:
  - The existence of property, plant and equipment could not be confirmed due to the absence of information on the identification and location of the assets in the asset register. Due to the lack of required information, no alternative procedures could be performed.
  - The completeness of property, plant and equipment could not be confirmed as several assets could not be traced to the asset register. Several projects were completed during the year but these were also not reflected on the asset register. Owing to these weaknesses in the asset register, no alternative procedures could be performed.
  - No supporting documentation could be provided for assets to the value of R4 590 075 (2008: R488 618) which were capitalised. Owing to the lack of supporting documentation, no alternative procedures could be performed.
  - Sufficient supporting documentation could not be provided for debit journals amounting to R1 434 815 (2008: R3 114 026) and credit journals amounting to R1 215 322 (2008: R39 584 584).
  - Property, plant and equipment is understated by an unknown amount due to finance leases not being reflected in the register. The municipality does not have an accounting policy for leases, with the result that the correct recognition, classification and treatment of leases in accordance with GRAP 13 could not be determined.
  - Sufficient supporting documentation for prior year purchases could not be provided to support the restated opening balance of property, plant and equipment.
6. Depreciation and accumulated depreciation are understated by R755 940 as a result of depreciation not being accurately captured on the system.
7. Assets to the value of R258 485 were disposed of during the prior year but no council approval could be provided for the disposals as required by MFMA Section 14. Assets that were disposed of were still found in the fixed asset register although the total of these could not be quantified as there was insufficient detail in the asset register. Assets amounting to R10 299 were also disposed of but this was not disclosed. The completeness of asset disposals could thus not be confirmed. Accordingly, our auditor's report on the financial statements for the year ended 30 June 2008 was modified in this regard.
8. Assets were overstated and expenditure was understated with an amount of R120 638 in the prior year as a result of expenses that were capitalised and not expensed. Accordingly, our auditor's report on the financial statements for the year ended 30 June 2008 was modified in this regard.

### **Expenditure**

9. The occurrence, completeness, accuracy and classification of expenditure amounting to R17 846 204 (2008: R26 027 945) could not be confirmed due to the following:

- Insufficient supporting documentation was provided with regard to payments amounting to R4 169 563 (2008: R1 845 853).
  - Debit journals amounting to R21 383 (2008: R1 042 784) and credit journals amounting to R159 122 (2008: R1 028 437) as well as the related supporting documentation for the journals were not provided for audit purposes. Debit journals amounting to R294 688 (2008: R126 880) did not contain sufficient supporting documentation to confirm the occurrence, accuracy and classification of amounts reallocated.
10. The accuracy, completeness and occurrence of grants and subsidies paid amounting to R5 411 805 could not be confirmed as grant conditions could not be provided for expenditure amounting to R150 844. No alternative procedures could be performed to mitigate the risk
  11. An amount R424 135 in respect of Value-added tax (VAT) in the prior year was received and deducted from general expenditure. This amount was not disclosed as an error and prior year amounts were not adjusted in accordance with GRAP 3.
  12. Expenditure was understated with an amount of R450 078 as a result of expenditure incorrectly allocated to employee cost.
  13. Expenditure was understated with an amount of R366 618 due to current year expenditure allocated to accumulated surplus instead of expenditure.
  14. Expenditure was overstated with an amount of R132 438 due to current year cheques written back to accumulated surplus instead of expenditure.
  15. Expenditure was overstated with R105 723 as a result of prior year expenditure not provided for in the prior year.

#### **Debtors**

16. The existence, valuation and completeness of receivables amounting to R15 966 161 (2008: R13 072 496) included in the financial statements could not be confirmed as a result of the following limitation of scope:
  - The existence, valuation and completeness of debtors amounting to R5 166 847 (2008: R6 055 796) could not be confirmed as sufficient appropriate audit evidence could not be obtained.
  - The existence, valuation and completeness of consumer debtors amounting to R2 889 350 and sundry debtors to the amount of R656 341 could not be confirmed as sufficient appropriate audit evidence could not be obtained. No alternative procedures could be performed.
17. The completeness of debtors could not be confirmed as the debtor age analysis differed by R366 571 (2008: R107 741) from the amount as disclosed in note 11 to the financial statements.
18. The amounts recoverable from the Workmen's Compensation Fund were not reflected as a debtor at year-end. This amount could not be quantified and no alternative procedures could be performed due to a lack of supporting documentation.
19. The agency debtor as disclosed in note 13 was overstated by R11 094 002 (2008: R9 231 862) as the debtor indicated that the net shortfall between funds received and funds expensed should be funded by the municipality. This resulted in expenditure being understated by amounts spent in excess of allocated funding.

20. The existence and valuation of other debtors reflected as government subsidies in note 13 to the financial statements amounting to R2 465 808 (2008: R3 607 547) could not be confirmed as sufficient appropriate audit evidence could not be obtained to confirm the debtors.
21. The following matters resulted in our auditor's report being modified for the year ended 30 June 2008:
  - Receivables were found to be overstated by R169 114 and levy income was overstated as a result of amounts paid relating to debtors but incorrectly allocated to income under levy income.
  - The VAT receivable, as disclosed in note 11, was overstated and the bank overdraft was also overstated as an amount of R395 983 was received at year-end but not allocated to the account.

#### **Irregular expenditure**

22. The municipality has omitted to disclose irregular expenditure of R5 288 728 (2008: R16 771 493) which was incurred during the financial year. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of irregular expenditure in the annual financial statements.

#### **Reserves**

23. The reserve accounting policy states that the reserve must equal the carrying value of the items of property, plant and equipment financed from former legislated funds however a difference of R2 659 989 was noted between these two.
24. Assets to the value of R811 436 were revalued at R33 073 353, but no revaluation reserve was created for the amount of R32 261 918 as required by GRAP 17. The revaluation amount was included with the capitalisation reserve and donations and public contribution reserves.
25. The GRAP implementation was not done retrospectively for any of the reserve opening balances at 1 July 2007 as required by GRAP 3.
26. The capitalisation reserve and expenditure was overstated by R95 774 as a result of journals incorrectly posted to this account.
27. Funds amounting to R10 470 502 were not included under funds as these were allocated to income, resulting in an understatement of funds and an overstatement of income in the prior year. Accordingly, our auditor's report on the financial statements for the year ended 30 June 2008 was modified in this regard.

#### **Creditors**

28. No accrual list could be provided to confirm the completeness, existence and valuation of creditors disclosed as R2 519 879 (2008: R2 002 935) in note 5 to the financial statements. No alternative procedures could be performed to mitigate the identified risk.
29. Creditors and receivables are overstated by R55 868 due to debtor money received allocated to creditors instead of receivables.
30. The following matters resulted in our auditor's report being modified for the year ended 30 June 2008:

- Creditors amounting to R2 002 935 could not be confirmed for existence, valuation and completeness as supporting documentation for payments to the value of R945 274 could not be provided for audit purposes.
- Journals amounting to R4 763 157 as well as the related supporting documentation for the journals could not be provided for audit purposes. Journals amounting to R2 101 518 did not contain sufficient supporting documentation to confirm the valuation and rights and obligations of amounts posted.
- Creditors were understated and the accumulated surplus was overstated by an amount of R684 185 as a result of stale cheques which were written back to bank and accumulated surplus, and then not reissued.
- Creditors were understated and the bank overdraft was overstated by R141 885 at 30 June 2008 as a result of payments made in the next financial year but incorrectly recorded in the 2008 financial year.

#### **Unauthorised expenditure**

31. The municipality overspent its budget on a few votes amounting to R1 719 614 (2008: R4 072 775) in total. This amount constitutes unauthorised expenditure as defined in section 1 of the MFMA and should have been disclosed in the financial statements in terms of section 125(1)(d) of the MFMA.

#### **Revenue**

32. The completeness, accuracy and occurrence of sundry income amounting to R597 017 included in the financial statements could not be determined as supporting information for an amount of R62 271 was not provided. No alternative procedure could be performed to mitigate the risk.
33. An amount of R1 022 303 was owed to the Department of Roads and Public Works for monthly rentals which were not paid. This amount was then deducted from amounts paid to Siyanda for the roads agency function resulting in income and expenditure being understated with the said amount.
34. Levy income disclosed at R103 495 in the statement of financial performance and debt recovery cost are understated by R16 342 as a result of costs incurred in debt recovery allocated against income and not as a separate expense.
35. Rental income disclosed as R69 623 in the statement of financial performance was overstated by R25 244 (2008: R328 984) which was for internal vehicle rental. This amount does not meet the definition of income and consequently revenue and expenditure were overstated by this amount.
36. Government grants and subsidies were understated with R757 393 as a result of monies gazetted in the current year but not received due to grant conditions not being met.
37. Conditional grants received to the value of R6 186 312 were recognised as income, compared to expenses incurred of R5 411 805. Income is thus overstated and the unspent conditional grant liability is understated by R774 507.
38. Revenue and expenditure was understated by R1 211 276 due to grant expenditure incorrectly allocated to creditors and a suspense account.
39. The housing grant was overstated by R370 579, VAT payable by R18 421, National Emergency Alarm Radio (NEAR ) grant was understated by R239 000

and Disaster Management Capital Project understated by R150 000 as a result of the misclassification of the funds received.

40. The following matters resulted in our auditor's report being modified for the year ended 30 June 2008:
- The completeness, accuracy and occurrence of administration and levy income amounting to R1 421 615, as disclosed the financial statements, could not be confirmed or confirmed by alternative means due to insufficient supporting documentation being provided for receipts amounting to R1 042 763
  - Debit journals amounting to R167 769, credit journals amounting to R126 948 and the related supporting documentation for the journals were not provided for audit purposes. Journals amounting to R1 100 704 did not contain sufficient supporting documentation to confirm the occurrence, accuracy and classification of amounts posted.
  - The total income for the agency function disclosed as R13 609 949 in the financial statements was understated by R1 172 077 due to R1 million being incorrectly allocated to the project called 182C, and R172 077 incorrectly declared for VAT.

#### **Fruitless and wasteful expenditure**

41. The completeness of fruitless and wasteful expenditure could not be confirmed as no amount was disclosed in the financial statements however an amount of R160 001 was identified.

#### **Employee benefits**

42. The valuation and completeness of the leave accrual amounting to R852 515 (2008: R988 097) disclosed in note 2 could not be confirmed as a difference of R159 929 was identified between the amount disclosed and the amount reflected on the system. Various instances were noted where leave processed in the leave register was not supported by a leave form and as a result, I could not rely on the system to record and manage leave. The disclosure for the leave accrual was incorrectly reflected as a non-current provision and not as per IAS 19 as a current liability.
43. The municipality provides retirement benefits for its officials and councillors as per the accounting policy; however, the municipality did not accrue for the expected costs of these benefits in accordance with the South African Statement of Generally Accepted Accounting Practice, International Accounting Standard (IAS) 19: *Employee Benefits*. In terms of IAS 19, all post-employment benefit plans are defined as benefit plans and these plans may be funded, partially funded or unfunded. The municipality should account for the obligation using the Projected Credit Unit Method to measure its obligations and costs. In the absence of an actuarial valuation or any amounts disclosed, I could not perform alternative audit procedures to confirm the obligations, current service costs, interest costs and the accumulated actuarial gains/losses.

#### **Cash flow statement**

44. I was unable to confirm the accuracy and completeness of the presentation and disclosure of the cash flow statement due to the following:



- The cash flow statement was prepared using the indirect method instead of direct method as required in terms of GRAP 2, paragraph 16.
- The cash flow statement does not include comparative amounts.
- The statement of financial performance disclosed a loss on disposal of R131 400, while the note disclosed a gain for the same amount.
- The proceeds on disposal is incorrectly disclosed as R602 000 instead of R290 000.
- Interest received to the amount of R161 285 is incorrectly disclosed as a negative amount on the statement.
- Interest paid to the amount of R103 654 is incorrectly disclosed as a positive amount on the statement.
- Note 28 to the financial statements does not reflect the amounts directly transferred to/from accumulative funds (R176 425 and R1 619) and reserves (R166 667).
- The movement of R79 133 in the current portion of long term debtors is not disclosed.

#### **Accumulated surplus**

45. The financial statements do not include a paragraph for the "Change in accounting policy" as required by GRAP 3, paragraphs 28 and 29. The effect of change in accounting policy for the current and prior year is not disclosed in a note and the "Statement of changes in net assets for the year ended 30 June 2009". The effect of the change in accounting policy on accumulated surplus could not be confirmed and no alternative procedures could be performed to mitigate the risk.

#### **Long-term liabilities**

46. Long-term liabilities and long term debtors disclosed in the financial statements were found to be understated by R1 190 219 (2008: R1 751 219) after receiving confirmation from the financial institution regarding the outstanding balance. This understatement includes four loans which were not recorded in the records of the municipality.
47. The short-term portion of long-term liabilities was understated by R714 710 (2008: R657 524) and the long-term portion overstated by the same amount.

#### **VAT**

48. Neither the journals nor sufficient supporting documentation could be provided for debit journals amounting to R72 352 and credit journals amounting to R601 938 therefore the completeness, valuation and classification of amounts reallocated could not be determined.
49. The following matters resulted in our auditor's report being modified for the year ended 30 June 2008:
  - The completeness and existence of value-added tax (VAT) amounting to R422 462 disclosed under debtors in the prior year could not be confirmed or verified by alternative means due to the lack of supporting reconciliations and the lack of supporting documentation for debit journals amounting to R54 093.

- VAT amounting to R220 016 was incorrectly declared on a subsidies received in the prior year, resulting in subsidies being understated and VAT being overstated.

### **Employee cost**

50. Councillor remuneration was understated by R735 902 in note 21 as not all remuneration was reflected in the note.
51. Our auditor's report on the financial statements for the year ended 30 June 2008 was modified as the completeness and occurrence of employee cost disclosed as R23 847 384 in that year could not be confirmed as a result of the following:
  - Debit journals amounting to R667 469 and credit journals amounting to R246 516 were processed to employee costs, but no supporting documentation could be provided to confirm the occurrence, accuracy and classification thereof. We were unable to perform alternative procedures to mitigate the risk identified.
  - Insufficient supporting documentation was attached to verify the settlement payment made to the previous municipal manager amounting to R958 880.
52. Personnel-related costs as disclosed in note 20 in the prior year were understated by R885 844 based on a recalculation performed.
53. Councillor remuneration in the prior year was understated by R2 529 604 as only the remuneration of the mayor, speaker and one member of the mayoral committee was disclosed in note 21.

### **Related parties**

54. Payments made to senior management personnel, councilors as well as payments made to entities under the control of related parties, was not done in terms of IAS 24.

### **Cash and bank**

55. Our auditor's report on the financial statements for the year ended 30 June 2008 was modified as the completeness, existence and valuation of the bank overdraft amounting to R3 914 584 in that year could not be confirmed due to the following matters:
  - Invalid reconciling items amounting to R398 252 were included in the year-end bank reconciliation.
  - A bank reconciliation was performed but it did not reconcile owing to a difference noted.
  - Transactions amounting to R141 885 which related to the 2008-09 year were incorrectly included in the cash book for the current financial year, resulting in an overstatement of the bank overdraft and an understatement of creditors.

### **Disclaimer of opinion**

56. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Siyanda District Municipality. Accordingly, I do not express an opinion on the financial statement

### **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### **Material inconsistencies in information included in the annual report**

57. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

#### **Unaudited supplementary schedules**

58. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1: *Presentation of Financial Statements*. The supplementary information set out on pages XX to XX is presented as additional information and has not been audited. Accordingly I do not express an opinion thereon.

### **OTHER MATTERS**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### **Non-compliance with applicable legislation**

##### **Municipal Finance Management Act**

59. Several payments were not made within 30 days of receipt of invoice, as required by section 65(2)(e) of the MFMA.
60. The accounting officer did not submit the details<sup>1</sup> of the bank accounts held by the municipality, as required by section 9 of the MFMA.
61. The accounting officer did not disclose bank account details as required by section 125(2)(a) of the MFMA
62. The municipality's website does not disclose all the information as required by section 75 of the MFMA.

#### **Governance framework**

63. The governance principles that impact the auditor's opinion on the financial statements relate to the responsibilities and practices of the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

#### **Internal control deficiencies**

64. Section 51(1)(a)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of

financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5 - 8	Property, plant and equipment	1	1	5	3	1
9 - 15	Expenditure	1	4	5	3	1
16 - 21	Debtors	1	1	5	3	1
22	Irregular expenditure	1	4	4	3	1
23 - 27	Reserves	1	3	5	3	1
28 - 30	Creditors	1	1	5	3	1
31	Unauthorised expenditure	1	4	4	3	1
32 - 40	Revenue	1	1	5	3	1
41	Fruitless and wasteful expenditure	1	3	4	3	1
42 - 43	Employee benefits	1	3	4	3	1
44	Cash flow statement	1	3	4	1	1
45	Accumulated surplus	1	3	5	3	1
46 - 47	Long-term liabilities	1	1	5	3	1
48 - 49	VAT	1	1	5	3	1
50 - 53	Employee cost	1	1	5	3	1
54	Related parties	1	1	5	3	1
55	Cash and bank	1	3	3	1	1

Legend	
CE – Control Environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA – Risk Assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2

The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which in turn are not linked to an effective reward system.	7
<b>Information communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

65. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		N
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		X
4.	The annual financial statements were submitted for auditing as per the legislated deadlines per section 126 of the MFMA.	X	
5.	Key officials were available throughout the audit process.	X	
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The Siyanda District Municipality had an audit committee in operation throughout the financial year.</li> </ul>	X	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	X	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		X
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The Siyanda District Municipality had an internal audit function in operation throughout the financial year.</li> </ul>	X	

No.	Matter	Y	N
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	X	
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		X
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		X
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.		X
13.	The prior year audit findings have been substantially addressed.		X
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Siyanda District Municipality against its mandate, predetermined objectives, outputs, indicators and targets per section 68 of the MFMA.	X	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

#### **Overall reflections on the governance framework based on other key governance requirements**

66. Deficiencies in records management led to significant difficulties during the audit concerning delays or the availability of requested information. The accounting officer is responsible to keep proper records of the financial affairs of the municipality. Leadership should monitor transactions and events on an ongoing basis to ensure proper recognition and disclosure in the financial statements and that adequate supporting documentation exist and are properly filed.
67. The financial statements compiled were not supported by proper and complete sufficient appropriate supporting documentation to facilitate the audit process. The submitted financial statements were also not reviewed against the GRAP guidelines to ensure compliance with the disclosure requirements. The accounting officer should ensure that a proper review is performed on the financial statements and that supporting documentation and an accounting file exists to support the financial statements.
68. The accounting officer should ensure that an annual report is prepared in accordance with the MFMA.
69. The municipality's internal audit did not perform all the required functions during the year. Internal audit functions are imperative to ensure the proper implementation and monitoring of internal control.

70. Inadequate accounting and internal control policies existed at the municipality resulting in various cases of non-compliance to legislation and accounting guidelines.
71. The information system was inadequate in supporting the compilation of the financial statements at the municipality.
72. Management should develop and implement an adequate fraud prevention plan. This needs to be communicated to all staff within the municipality to ensure adherence thereof.
73. The implementation of audit recommendations requires improved monitoring and supervision by management.
74. There is no performance information system in place at the municipality. The IDP also is inadequate as it does not have input and output indicators. Detailed standard operating procedures setting out the roles and responsibilities of all levels of staff involved in the collection and collation of performance information, from source document to reporting, has not been prepared and communicated throughout the entire municipality. This is indicative of a situation where adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information and adequate mechanisms were not established to monitor and review the performance management system.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on performance information**

75. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

76. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include an annual performance report, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

77. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
78. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
79. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

### **Findings on performance information**

#### **Content of integrated development plan**

80. The integrated development plan of the Siyanda District Municipality did not include input and output indicators set in terms of its performance management system, as required by section 26(i) of the MSA.

#### **Performance information not received in time**

81. An assessment could not be performed of the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

### **APPRECIATION**

82. The assistance rendered by the staff of the Siyanda District Municipality during the audit is sincerely appreciated.

*Auditor-General*

Kimberley

01 February 2010



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*